UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/1993/18/Add.1
23 February 1993
ENGLISH
ORIGINAL: ARABIC/CHINESE/
ENGLISH/FRENCH/
RUSSIAN/SPANISH

Substantive session of 1993

COORDINATION QUESTIONS

United Nations system cooperation with multilateral financial institutions: Examples of fresh approaches

Note by the Secretary-General

The Secretary-General has the honour to transmit to the Economic and Social Council the report of the Joint Inspection Unit entitled "United Nations system cooperation with multilateral financial institutions: Examples of fresh approaches" (JIU/REP/92/1 (Part II)).

93-10248 (E) 050393

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UNITED NATIONS SYSTEM CO-OPERATION WITH MULTILATERAL FINANCIAL INSTITUTIONS

PART II: EXAMPLES OF FRESH APPROACHES

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ABBREVIATIONS AND ACRONYMS

ACC	Administrative Committee on Co-ordination
ACIS	Advance Cargo Information System, of UNCTAD
AfDB	African Development Bank
ASEAN	Association of South-East Asian Nations
ASYCUDA	Automatic System for Customs Data, UNCTAD
CCSQ(OPS)	Consultative Committee on Substantive Questions (Operational Activities), of ACC
CRP	Co-ordinated Research Programmes, of IAEA
DMFAS	Debt Management and Financial Analysis System, UNCTAD
EC/EEC	European Communities/European Economic Community
EQUIPRO	Technical Co-operation Equipment and Subcontracting Branch, of ILO
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
HDI	Human Development Index, of UNDP
IADB	Inter-American Development Bank
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development, World Bank
IDA	International Development Association, World Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation, World Bank
ILO	International Labour Organisation
IMF	International Monetary Fund
IMO	International Maritime Organization
INTERFAIS	International Food Aid Information System, of WFP
IOM	International Organization for Migration
ITC	International Trade Centre UNCTAD/GATT
JIU	Joint Inspection Unit
NGOs	Non-governmental organizations
OAS	Organization of American States
OAU	Organization of African Unity
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum-Exporting Countries
OPS	Office for Project Services, of UNDP
PAHO	Pan American Health Organization
PSA	Operational Policy and Sector Analysis Division, of UNESCO
SMART	Software for Market Analysis and Restrictions on Trade, World Bank/UNCTAD
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
WFP	World Food Programme
WHO	World Health Organization

I. INTRODUCTION

1. At the request of one of its participating organizations, the Joint Inspection Unit (JIU) made a study of technical and other operational co-operation between United Nations system agencies and the multilateral financial institutions. Through more than 100 interviews and the review of some 300 policy and programme reviews and analyses, they sought to determine: which organizations are co-operating most closely and why? What joint activities and possibilities exist? Most importantly, what significant steps are needed to improve operational co-operation between the two groups?

2. Part I of this study examines the general topics which arose from this research and analysis: changing patterns of development co-operation; recent reassessments from inside and outside the United Nations system; inherent co-operation difficulties and, nevertheless, recent co-operative initiatives; and a useful approach to operational liaison developed by ILO with the World Bank.

3. The Inspectors found that there has not really been much co-operation of system agencies with the multilateral financial institutions as yet, but the situation is now beginning to change and there is considerable potential for future joint activities to advance Member State interests. Officials with long experience in joint development activities emphasized that, above all, what counts in building successful co-operative development programmes is high-quality performance. The Inspectors recommend that senior operational officials and responsible governing bodies of each organization consider actions to strengthen performance, responsiveness, and innovation in their operational activities, to best serve Member States in the vastly more competitive international development environment of the 1990s.

4. Chapter II of this Part of the JIU report presents a dozen representative examples of "fresh approaches" by United Nations system agencies. Collectively, they illustrate ten key factors which officials, experienced in past co-operative efforts, emphasized as essential to successful joint operational work: above all performance, but also a competitive "niche", "value-added" services, pragmatic co-operation, a strategic and responsive approach, flexible organization structures, factual self-promotion, competitiveness, and quality control. Most of the examples in Chapter II are characterized by:

(a) operational partnerships, primarily with the World Bank, but with many other "non-system" development organizations as well;

(b) enhancement of a key "niche", or area of comparative advantage, in which the organization can effectively apply its special competencies;

(c) a strategic approach emphasizing programmes or services which are useful to many countries, rather than the old individual project approach; and

(d) responsiveness with innovative approaches and techniques to feedback from countries about changing development needs, most noticeably micro-computer software and related databases and telecommunications technologies.

5. Chapter III discusses quite different operational reviews recently made for and by governing bodies in five system organizations, which illustrate the types of operational assessments which the Inspectors have recommended that all organizations make more frequently in the future. Chapter IV summarizes work in the pre-investment, investment and project preparation areas where system agencies have traditionally had a dominant role, but where the multilateral financial institutions are increasingly active. In addition to World Bank activities, the four agencies mentioned have all recently been carefully reassessing their work in this area to make it more responsive and effective.

6. The examples given in this Part of the report provide no standard formula for better operational co-operation, more dynamic programming, or better performance. The organizations of the United Nations system differ too much in their operational mandates, size, processes, and technical specialities. The Inspectors hope instead that these examples will at least suggest (a) the kinds of new approaches which United Nations system agencies are taking to respond to 1990s development challenges; and (b) some new insights, innovations, or processes which individual organizations might adapt, associate with, or improve on in the context of their own programmes.

II. PROGRAMME INITIATIVES

7. Recognizing what has to be done to improve co-operation with other development organizations is an important step. Putting these principles into effect is even more important, and also more difficult. During their study, however, the Inspectors encountered a variety of new or enhanced programme activities which illustrate the success factors identified in Part I, Chapter VI, of this report.

8. The following examples by no means include all of the initiatives that United Nations system organizations are undertaking to improve their current development co-operation work with and for other development partners. Yet they do provide a sampling of noteworthy operational activities. They include:

(a) a support services programme (ILO);
(b) collaborative food aid efforts in Africa (WFP);
(c) multiple applications of new technology (UNCTAD);
(d) a new technical co-operation status report (UNDP);
(e) global training programmes (ILO, IMO and UNCTAD);
(f) a new aspect of development co-operation work (UNHCR);
(g) enhanced links with development partners (UNDP and others);
(h) new sector analysis services (UNESCO);
(i) an integrated global research and information network (FAO and IAEA);
(j) financing information support to governments (PAHO);
(k) management service arrangements (UNDP);
(l) management of field co-ordination (inter-agency).

A. Equipment and subcontracting services of ILO

9. The International Labour Organisation (ILO) has been procuring equipment and services for technical co-operation activities worldwide ever since the 1960s, primarily in the fields of vocational training and technical education, employment creation, and industrial relations. The Technical Co-operation Equipment and Subcontracting Branch (EQUIPRO) has participated in the procurement of equipment and services for over 2,800 projects amounting to about $US 300 million. EQUIPRO consists of an international team of procurement specialists and engineers assisting developing countries in any or all aspects of the procurement cycle. They commence with the identification of equipment and/or service requirements and proceed, via national or international competitive bidding, through to delivery, installation and commissioning of equipment 1/.

10. Approximately half of EQUIPRO's current work is with technical co-operation projects funded by the World Bank (IBRD and IDA). The rest involves advisory and direct support to ILO technical co-operation projects funded by UNDP (including UNCDF) and UNFPA; regional financial institutions; the European Economic Community (EEC); and agencies and governments of developing and developed countries. In IBRD and IDA funded projects EQUIPRO works as an agent for a principal (the borrowing country). This means that it bids on a project in competition with both private and public sector enterprises. EQUIPRO determines the scope of

procurement work for equipment and support services involved, and then develops a total cost figure which includes ILO overheads. For this type of work and services, it is essentially an extrabudgetary and self-financing unit, trying to match charges to costs without burdening the ILO budget but without making a profit.

11. EQUIPRO has some clear-cut benefits to offer borrowers. Its large volume of purchases and well-established business relations with supplying firms allow it to obtain substantial price reductions. It provides rapid procurement and follow-on services that borrowers usually cannot provide for themselves. EQUIPRO ensures that the equipment bought is of high-quality, that it conforms to international labour standards and technical norms, is safe and easy to use, protects the environment, and is fully compatible with the conditions prevailing in the recipient countries.

12. EQUIPRO has also developed 18 equipment planning guides, a computer-aided procurement system, and a modular training course in procurement management for nationals from developing countries which is conducted in co-operation with ILO's International Training Centre in Turin, Italy. As a result, during the past decade the annual value of EQUIPRO purchase orders and sub-contracts handled has risen steadily from about $US 20 million to $US 50 million, which is considered to be just about the maximum that the Branch can handle at present.

13. The work of EQUIPRO proves that by combining good staff, systematic processes, and active management, United Nations system agencies can compete successfully with private organizations in development work. Emphasis is placed on assisting developing countries to maximize the use of their own expertise, equipment and services in order to enhance execution of projects in the countries concerned. ILO officials emphasize, however, that the work seeks to meet the legitimate procurement needs of ILO Member States within the framework of their larger labour development programmes. EQUIPRO works to advance basic ILO objectives, but not as a general procurement agency.

B. Food aid and food security in Africa of WFP

14. The great African drought of 1983-1985 not only posed a grave danger to the food security of millions of Africans, but also led to a growing recognition that food aid, currently amounting to about $US 1 billion a year for Africa, is an important and under-valued resource for long-term development. The World Food Programme (WFP) developed a multi-year action plan to better use its expenditure of some $US 360 million per year for Africa to support African economic recovery through projects for agricultural development and food security, environment, human resources, infrastructure, and emergencies 2/.

15. These WFP efforts have led to growing operational and policy collaboration with development finance institutions, particularly the World Bank.

(a) In 1984 and 1985, the World Bank provided grants of $US 5 million, and the African Development Bank $US 2.4 million to assist WFP in resolving logistical bottlenecks involved in the delivery of global relief food aid for sub-Saharan Africa, and to strengthen its capacity to co-ordinate relevant food aid operations as requested by the international

community. The supporting information system, which WFP set up for that purpose, was later developed with EEC assistance into a global international food aid information system (INTERFAIS). This system now tracks and analyzes planned and actual food aid flows worldwide, with regular detailed reports and, in the very near future, on-line operational information for all interested agencies.

(b) A 1988 World Bank report on "The challenge of hunger in Africa" highlighted the need for the Bank and WFP to determine how food aid contributes to development and food security; to use WFP's expertise in handling food, its field presence, and its information network to upgrade and enhance its co-ordinative role; and to make food security projects more cost-effective.

(c) In addition, a senior WFP staff member has been working in a food security unit in the World Bank in Washington for the past two years.

16. WFP has itself made a series of reviews to support these initiatives. One study examined the collaborative mechanisms, mutual benefits, problems, and proposals for improvement drawn from 57 WFP/World Bank projects which provided about $US 3.5 billion of aid during the 1980-1988 period. (WFP and the Bank are presently engaged in over 30 food security projects in sub-Saharan Africa.) WFP has recently updated an internal assessment of 20 ongoing or planned projects worldwide which provide food aid as part of World Bank/IMF structural and sectoral adjustment programmes. And the WFP secretariat has reported to the Committee on Food Aid Policies and Programmes on the roles of food aid in adjustment programmes 3/ and on specific adjustment-related projects such as one in Ghana, conducted with the World Bank, the OPEC Fund, and other multilateral and bilateral donors 4/.

17. Most significantly, WFP and the World Bank recently completed a very extensive joint study of future food aid in sub-Saharan Africa 5/. The resulting report reviews the characteristics of this food aid; its relation to growth and to emergency and refugee situations; and efficiency, disincentive and food trade issues. It proposes 13 guiding principles to improve the planning, programming, management and evaluation of food aid to Africa in the 1990s. And it suggests three major priorities for action - to establish or revise international mechanisms for food aid planning for Africa, ensure that the aid makes a greater contribution to poverty alleviation and food security, and ensure that a food aid "safety net" is in place. It then proposes a detailed programme of action to implement these priorities.

C. Computer software packages of UNCTAD

18. In recent years the United Nations Conference on Trade and Development (UNCTAD) has worked with the World Bank, bilateral donors, and other international and private sector groups to develop computer software packages which exploit the personal computer revolution that has made computerized information and management systems widely available for use in developing countries. UNCTAD serves as a middleman between developing countries which seek useful modern management tools, and developed countries that want both results-oriented projects and also to

improve international trade processes in general. It has sought to support the creation of specific applications for systematic use worldwide and to take a co-financing and co-development approach. The programmes also have a synergistic effect within UNCTAD, strengthening linkages between UNCTAD programmes and increasing its overall capacity to provide these new, more sophisticated forms of development co-operation.

19. Software for Market Analysis and Restrictions on Trade (SMART) was developed jointly by the staffs of the World Bank and UNCTAD, with funding support from UNDP. SMART provides developing countries with the capacity to analyze trade barriers and basic trade statistics, for use in multilateral trade negotiations and also in bilateral negotiations and market access studies 6/. In 1989, a pilot version of the programme was installed in 22 least developed countries. Since then, the system has been installed in more than 50 developing countries and government officials have been trained in its use. A notable feature of this project is that the extensive World Bank/UNCTAD collaboration has been mainly carried out by electronic mail, with a minimal use of official missions.

20. Customs duties are an important source of government revenue in many developing countries, but existing customs procedures are often inadequate. UNCTAD developed the Automatic System for Customs Data (ASYCUDA) software package to improve customs processing and controls, as well as to provide timely and accurate trade and revenue statistics. The software was originally developed and applied, with significant results, in West Africa, but it has now been expanded to projects in 27 countries, with further requests coming in from many other countries.

21. UNCTAD now provides the largest systematic customs management programme in the world. It created a donor liaison group at an early stage to co-ordinate and develop the programme. Funding support has come from, among others, UNDP, bilateral trust fund donors, the European Development Fund, and the World Bank. The International Customs Co-operation Council, an important body in the field, also participates.

22. To help provide developing countries with timely and accurate data and analytical tools for national debt management, UNCTAD also developed a computerized debt management and financial analysis system (DMFAS). Twenty-six developing countries have been co-operating with UNCTAD within the framework of the DMFAS programme since its inception in 1981. Presently there are 13 on-going country projects, while 19 other countries have expressed interest. UNDP and bilateral trust fund donors have supported programme development and country activities, and the World Bank and the International Monetary Fund (IMF) have participated on an informal country by country basis in the field.

23. Because of increasing requests from developing countries for help to improve their debt management, UNDP decided to review experience in this area. It commissioned an expert study of developing country needs for technical assistance in debt management. The experts' in-depth report of 1989 concluded that effective technical co-operation was very much needed (from $US 200 to 300 million over the next five years), and that UNDP and the World Bank should take the lead in improving co-operation and co-ordination among donor and executing agencies in this crowded new field. They also concluded that UNDP support to projects

implementing computerized debt management systems in developing countries should be concentrated on the use of two of the packages currently available, UNCTAD's DMFAS and the Commonwealth Secretariat's CS-DRMS 7/.

24. In addition, weak transport infrastructure has frustrated economic development and regional integration in Africa. In recent years several sub-regional UNCTAD projects financed by UNDP led to the development and implementation of an Advance Cargo Information System (ACIS). This system provides relevant data on any given consignment in advance of its arrival at a destination. It is thus a management tool which helps to remove operational obstacles, reduce transport costs, and facilitate intra-African trade. ACIS has been developed to be user friendly and adapted to special conditions existing in Africa. Although it uses the latest information technology, ACIS requires only a compatible microcomputer and a reliable telephone network. Software, training and advice are all provided by UNCTAD.

D. Human development report of UNDP

25. In May 1990 the UNDP released an innovative report which seeks to place people at the centre of the development process, and to stress the critical importance of the formation and use of human capabilities 8/. The first report analysed the record of human development for the past three decades and the experience of 14 countries as a basis for a human development strategy for the 1990s. It stressed freedom and democracy as measures of development which widen people's choices. It also concluded that technical co-operation must be restructured to focus more on training and mobilizing national personnel rather than sending in expensive foreign experts, and on much greater use of NGOs and other self-help organizations to build participation and self-reliant development.

26. Instead of the usual comparison by per capita gross national product (GNP), the report ranked 130 countries (in a considerably different order) by a new measure of growth, the "human development index" (HDI) and presented many other human development indicators as well. The HDI is based on three essentials of human life - longevity, knowledge and decent living conditions - as measured by life expectancy, adult literacy and real per capita income adjusted for purchasing power.

27. The second Human Development Report, published in 1991 9/, expanded the Human Development Index to cover 160 countries. It also introduced a new Human Freedom Index to demonstrate the relationship between freedom and development, ranking countries according to 40 measures of liberty. The report's main conclusion was that the lack of political commitment, not of financial resources, is often the real cause of human neglect. It therefore urged the need for political strategies to restructure public sector budgets to meet human development needs, broad-based participatory development as the key to both economic growth and human development, and the need to design sound country strategies and databases for furthering human development.

28. The new human development approach evolved from years of research efforts and a series of international round table meetings. The reports are a United Nations system-wide initiative, developed through extensive

inter-agency collaboration. The teams that prepare them hope that - through policy dialogue in all countries and further research work and data-gathering - they will lead to a serious exploration of human development programming at the country level and will greatly change the way the United Nations system conducts its development work.

E. Maritime training programmes of ILO, IMO and UNCTAD

29. A 1983 United Nations programme analysis found that marine affairs was a rather crowded (but perhaps quite typical) area of international co-operation: 28 different United Nations system agencies were conducting 456 distinct activities at a total cost of $US 371 million. About $US 220 million was for large ports and fisheries projects funded by the World Bank, $US 70 million for technical co-operation activities, and the rest for research, standard-setting and negotiations. In 1989 JIU prepared a report which included a review of the small but well organized activities of three different agencies in the subsector of maritime training 10/.

30. The ILO has been assisting worker progress in the world shipping and ports industry for more than 60 years. From its long-standing experience in vocational training and in establishing training centres, ILO has helped the port industry to prepare tailor-made courses for port personnel, training of trainers, and human resource development, and to set up port training centres. Studies and guidelines dealing exclusively with port subjects as well as documentation on training, certification, occupational safety and health, occupational medicine, working relations, employment conditions, collective bargaining, environment, pollution, and management are used in these training programmes.

31. Twelve of ILO's 34 established supervisory training modules have been adapted for port supervisors, and a course is being centrally prepared for port supervisory development. The ILO International Training Centre in Turin, established in 1965, provides courses in various areas of relevance to the world port industry. In addition, a technical co-operation programme between Latin American and Central American countries, developed since 1986 under the auspices of ILO, has so far produced 16 standardized courses for port personnel.

32. Following a 1988 Strategy for Maritime Training, the International Maritime Organization (IMO) has moved forcefully during the past few years to replace its former collection of thinly stretched national projects with specific training programmes. The World Maritime University in Malmö, Sweden, has provided two-year master of science programmes for over 700 senior maritime officials from about 109 developing and developed countries since it opened in 1983.

33. These university courses are complemented by 69 specialized "model" courses, in topics such as fire fighting and hazardous cargoes. The courses allow maritime administrators and seagoing staff to improve their knowledge and skills in certain specialized fields to support the formal basic and certificate training regulated by IMO's 1978 International Convention on Standards of Training, Certification and Watchkeeping for Seafarers. IMO has also recently established the IMO International

Maritime Academy in Trieste, Italy, for the delivery of three to five months' specialized model course programmes, and the IMO International Maritime Law Institute in Malta for one-year post-graduate maritime law training.

34. UNCTAD has pioneered three inter-related projects with long-term goals derived from its basic interest in aiding global and port development. Improving port performance (IPP) involves centrally produced training materials for use in local institutions. Training development in the field of maritime transport (TRAINMAR), which has now evolved into a regular programme, develops and implements practical training packages and supportive networks of training materials, courses, and trainers. Since 1980 the TRAINMAR programme has trained 4,000 maritime managers with about 30 different packages. In 1989 UNCTAD also launched a pilot project - JOBMAR - to transfer up-to-date maritime management skills to senior managers in developing countries, through the careful organization of short-term secondments.

35. Each of these three agencies has worked hard to develop, test, implement, and steadily improve a structured, effective, and worldwide training programme in this rapidly changing and highly technical field, and in accord with international standards, agreements and conventions, developed in their organizations' substantive programmes. Maritime training is perhaps not a major concern of development co-operation, but its critical transport nature makes it an area where well thought-out United Nations training strategies can have a very catalytic development impact. Each agency has already developed considerable co-operation with UNDP, with bilateral agencies, and with industry groups.

36. While joint work and dialogue with the World Bank and regional banks has been only occasional thus far, the "value added" structures which ILO, IMO and UNCTAD have built should facilitate specific co-operative opportunities in the future. Finally, of course, the three agencies do not want to diminish their strengthened programmes through overlap or conflict. In 1989 they agreed to supplement personal inter-agency contacts by establishing a joint working group on ports training, and they hope to build on this co-operation in other maritime assistance areas as well.

F. Refugee aid and development programmes of UNHCR

37. The United Nations High Commissioner for Refugees (UNHCR), while extending protection and emergency assistance to refugees, has long emphasized the search for durable solutions. But the great increase in movements of refugees in recent years, as well as the emerging opportunities for resolving refugee situations, has hastened the development of new approaches to cope with increasing refugee needs.

38. UNHCR has therefore sought to encourage greater self-sufficiency among refugees, in particular those in long-term rural settlement situations. It has also sought to assure that solutions to refugee situations, especially through voluntary repatriation and local integration, are linked to development initiatives, thus enhancing their enduring nature. UNHCR has worked to build closer co-operation with development agencies in programmes that reinforce ongoing refugee

assistance or the phasing out of such assistance. Similarly, it has sought to involve development agencies in voluntary return movements. Of late, the issue of "refugee aid and development" has been the subject of inter-agency study by the Consultative Committee on Substantive Questions (Operational Activities) (CCSQ(OPS)) within the United Nations system.

39. UNHCR has maintained co-operation with United Nations system agencies, especially UNDP and the World Food Programme (WFP), and has participated in recent inter-agency efforts to deal with refugee problems in a more coherent, development oriented way. UNHCR also collaborates, much more than most other agencies, with many diverse groups at both headquarters and field levels. First, the Office works closely with other inter-governmental organizations: the Organization of African Unity (OAU), the Islamic Conference, and the Organization of American States (OAS), the League of Arab States, the Council of Europe, institutions of the European Community, the Association of South-East Asian Nations (ASEAN), and the International Organization for Migration (IOM).

40. NGOs are another important partner in UNHCR field work, primarily in helping provide material assistance to refugees. During 1989 the Office completed a systematic review of the 200 local and international NGOs which had participated in implementing UNHCR projects in 79 countries during 1988. A similar review of NGO operational partners and implementing agencies was made during 1990, covering their work with UNHCR in refugee protection, re-settlement, fund raising, training, and information activities. In general, UNHCR seeks the earliest possible involvement of NGOs in its activities in support of refugees. More recently, UNHCR has sought to tap the potential of the NGO community for refugee aid and development activities.

41. UNHCR work with multilateral financial institutions has been primarily with the World Bank, in projects promoting self-reliance for refugees or returnees. The Bank, among other things, assists in raising funds through its co-financing office, helps prepare projects in sub-Saharan Africa, and invites UNHCR to attend Consultative Group meetings for countries where UNHCR programmes or refugee problems are substantial. An income generating project for Afghan refugees in Pakistan has been underway with the Bank since 1984, an agricultural development project has been prepared for refugees in the Sudan, and assessments have been made for a refugee area project in Somalia. UNHCR has also recently done project preparation work with IFAD in Mexico, Guatemala and Iran. In addition, UNHCR and UNDP have discussed possible joint project development efforts with the Inter-American Development Bank and the African Development Bank 11/.

G. Co-operative work with NGOs of UNDP and others

42. Non-governmental organizations (NGOs) are becoming more prominent participants in human resource development programmes around the world. United Nations system funding agencies such as UNICEF, UNFPA and UNHCR make considerable use of NGOs as executing agencies, and most large bilateral donors also use them more and more. NGOs cannot serve as executing agencies for UNDP projects under current regulations, but they are being increasingly used as subcontractors to specialized agencies or recipient governments. A recent UNDP circular urges the agencies to increase sub-contract work with NGOs, and UNDP is also exploring ways to simplify its procedures to facilitate such involvement.

43. To increase its effectiveness in "people centred" programmes, especially grassroots community initiatives for the rural poor, UNDP established a Division for Non-governmental Organizations in 1987 to co-ordinate activities, encourage greater NGO use, and develop and provide information for and about NGOs 12/. It has sponsored NGO round tables to bring donor country and local NGOs together with governments and bilateral and multilateral aid agencies. Two dozen UNDP field offices are preparing directories of NGOs working in their countries, and they have also begun to use NGO resources to design, carry out and evaluate development projects.

44. Many action programmes and projects have also been launched 13/. For example:

(a) Under a Partners in Development Programme begun in 1988, UNDP Resident Representatives in 59 countries grant awards of $US 25,000 per year per country to aid outstanding NGO and grassroot organization activities.

(b) The Africa 2000 Network will link and strengthen indigenous NGOs throughout Africa which are engaged in integrated grassroots development activities.

(c) ILO and UNDP have conducted two information sharing workshops on participatory development in Africa, and have prepared a Programme Advisory Note to promote and support the "informal sector", a key source of production, employment and income for the rural poor in developing countries.

(d) The United Nations Volunteers/Domestic Development Service programme strengthens country based self-help groups and NGOs in Asia, Africa, and the South Pacific: in 1989 250 field workers were working at the village level in 26 countries, helping to encourage "trickle-up development strategies" to assist disadvantaged population groups, especially women and youth, to help themselves.

45. During the course of this study the Inspectors learned that many United Nations system organizations have developed or are now creating substantial operational relationships with NGOs. This development partnership is perhaps becoming just as significant as that with multilateral financial institutions, although the interactions differ in many ways. The JIU has thus included a separate study in its 1992 work programme on operational and management issues of United Nations system co-operation with NGOs, and how to make that relationship stronger and more productive.

H. New sector analysis services and techniques of UNESCO

46. In many developing countries, externally funded activities for human resource development are increasingly placed in the framework of sector analyses. The World Bank and UNDP have highlighted sectoral approaches and adjustment programmes, and United Nations system governing bodies have also urged broader programme perspectives, greater attention to national development policies, and building up national analytical

institutions and capacity. Effective sector analysis must be undertaken by the countries, especially in the education and training fields where they themselves provide the vast majority of the total resources.

47. In response to these changing needs, in mid-1989 UNESCO established the Operational Policy and Sector Analysis Division (PSA) in its Bureau for Co-ordination of Operational Activities, to carry out sector analysis work and develop approaches which many countries could use. The Division participates with Member States, their external funding partners, and other UNESCO units to elaborate national strategies and priorities for social sector development. Special attention is given to least developed countries and those involved in structural and sectoral adjustment programmes.

48. The sector review projects carried out by the Division are intended to help governments to design applicable and cost-effective policies in an environment of constraint and economic change. They also help external funding sources to better focus, establish priorities for, and co-ordinate their assistance at the country level. In doing so, these UNESCO activities open the way for increasing dialogue and partnership between governments and external funding agencies, thus providing the basis for effective and sustainable development co-operation. Since its creation, the Division has provided services in policy analysis, sector strategy design, and investment programme formulation in 20 countries, under extrabudgetary contracts for almost $US 10 million, in addition to the UNESCO input of $US 1 million.

49. These expanding operational activities are supplemented by a programme of country case studies which the PSA Division is undertaking jointly with ILO, with some UNDP and World Bank participation. The studies are aimed at finding out about the policy process and concrete measures through which countries have tried to shield education and training from negative effects of adjustments, while also carrying out reforms to enable these sectors to contribute to structural changes in the economy. The objectives are to help countries develop their abilities to formulate sector strategies which respond to economic austerity and adjustment conditions, and to develop an inter-agency approach to structural adjustment processes in the fields of education and training. Issue papers will be published to summarize the lessons learned.

50. As part of its sector analysis work, the PSA has developed and applies a planning tool which uses personal computers and projection models. For each country, a model is set up for the entire education system and its sub-sectors, using available country data and simulating country-specific decision processes. The model allows national decision-makers to consider and test policy, budget, and operational alternatives by changing any of up to one hundred variables. It makes it possible to quickly determine the implications of present and future policies, and to identify key issues and problems. Such insights are particularly useful in an era of severe financial constraints and rapid economic, social and structural changes.

I. Global network for nuclear techniques in food and agriculture of FAO and IAEA

51. Various United Nations system agencies have worked to develop global networks of expertise in their specialized technical areas. A good example of such an integrated international programme is the work of the Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture of the Food and Agriculture Organization of the United Nations (FAO) and the International Atomic Energy Agency (IAEA) 14/. Established as a small exploratory unit in 1964 in Vienna, the Joint Division and the Agriculture Laboratory of the IAEA Seibersdorf Laboratories have grown to become an internationally respected research and development centre, a forum for global sharing of information and knowledge, and a conduit to transfer nuclear technology among countries. While the Joint Division presently carries out the technical management of 203 technical co-operation projects in about 60 countries, its other activities are equally significant.

52. Perhaps the most important co-operative activity is the co-ordinated research programmes (CRP) in food and agriculture. About 400 universities and research institutions around the world participate each year in some 35 separate programmes dedicated to solving scientifically and economically significant problems in food and agriculture. Ten to 20 institutes participate in each programme, with IAEA providing some funding support for those from developing countries.

53. Joint Division officials emphasized the importance of high-quality research proposals and people in this research network, and the links between developing and developed country researchers who work as a team for five years or more on a project. The Joint Division itself co-ordinates the activities, monitors progress, and organizes review and forward planning meetings. (It should be noted that other IAEA divisions also use the CRP approach to stimulate and co-ordinate research in selected nuclear fields by scientists in IAEA Member States: there are currently some 1,700 active contractual arrangements representing participation in more than 124 ongoing CRPs as well as individual projects.)

54. To support such research, the Joint FAO/IAEA Division not only sponsors conferences, panels and committees, but has published more than 100 specialized technical documents, newsletters and other materials, and many papers in international scientific journals. These efforts are supported by the most highly developed computerized international databases of the United Nations system, the INIS (nuclear) system of IAEA (involving 78 Member States, 15 international organizations, and 100,000 database additions in 1988) and the AGRIS (agricultural) system of FAO (involving 130 Member States, 17 international/regional organizations, 1,500,000 total database items).

55. In addition, FAO and IAEA joined the Organisation for Economic Co-operation and Development (OECD), the World Health Organization (WHO), and 24 countries to fund a basic international food irradiation project in Germany from 1971-1981. They have operated a technical training facility with the Netherlands since 1979, in addition to regular training provided at the Agriculture Laboratory. They joined with WHO to

establish an International Consultative Group in 1984, joined with ITC-UNCTAD/GATT for a related trade conference in 1988, and added an international register of food irradiation facilities in 1989. Finally, they sponsor many other international action programmes, an example being the continent-wide Pan-African Rinderpest Campaign (PARC) in Africa with Sweden, a vaccination programme which is co-ordinated by the Organisation of African Unity (OAU).

J. External resources guidelines of PAHO

56. New programme approaches and initiatives are of course not confined to headquarters units and global programmes. For instance, in the early 1980s the Pan American Health Organization (PAHO) of WHO recognized that the achievement of health objectives in its Member Countries would be a very serious challenge in the light of economic crises and scarce development resources. Particularly since health sector personnel were not as familiar with financial planning and external resource mobilization as people in other development sectors, there was a need to improve information on resource availabilities and financing procedures in the health field.

57. Accordingly, PAHO published guidelines for financial resource mobilization for health in the Americas in 1984. In 1986 a second edition was published 15/, incorporating growing PAHO experience and data on demand and availability for external financing, the co-operation of NGOs, materials developed for PAHO workshops, and agreements negotiated by PAHO and Member States with official and NGO sources. In 1988 PAHO added a third publication to this series, summarizing information on major United States foundations which fund health activities in Latin America and the Carribean 16/, and it also hopes to update the 1986 guidelines again.

58. The 1986 guidelines recognize that about 90 per cent of all external health funding must come from requests by governments to external development institutions such as international banks and bilateral development institutions. They therefore provide a quite considerable amount of reference information and practical guidance for government ministries and PAHO field staff:

(a) an introductory overview of providers, types, policies, statistics, trends, programming cycles, and distribution of external health co-operation resources;

(b) the financial provisions of the PAHO Regional Plan of Action approved by Member Governments, and approaches and actions for applying them;

(c) practical suggestions and checklists for identifying external sources and financing requirements, preparing funding proposals, and following through with resource mobilization;

(d) informative profiles (up to ten pages) on principal multilateral and bilateral health financing sources and their basic policies, procedures and funding interests (including the health field), plus information on foundations and other private and voluntary organizations, as well as commercial institutions.

K. Management services activities of UNDP

59. During the past few years UNDP has considerably expanded its co-operative work with other multilateral financing institutions through the provision of management services. "Management services" here refers to assistance which recipient governments request from UNDP to better utilize project resources from bilateral donors or loans from multilateral donors (but not funds from UNDP itself). The services provided are for specific purposes such as formulating projects, procuring project inputs, or managing all or parts of project implementation.

60. From 1987 to 1989 the number and value of management service agreements projects handled by UNDP's Office for Project Services (OPS) doubled from 63 to 129 projects and from an aggregate value of $US 213 million to $US 369 million, or about half the total OPS programme. The major funding partner is IFAD: OPS served as loan administrator in 57 IFAD projects in some 50 countries in 1989. Thirty-one projects were also underway with the World Bank, IDA, and IADB in Latin America and Africa in 1989; projects for bilateral donors tripled from 13 in 1987 to 37 in 1989; and three projects funded directly by recipient government resources were added for the first time in 1989.

61. A 1989 UNDP report traced the past history of direct execution of projects by UNDP and the way that OPS had evolved into a management and service intermediary 17/. Extensive subcontracting was cited as the dominant feature of the OPS method, utilizing not only United Nations system specialized agencies and its own resources, but also NGOs and voluntary agencies, international research institutions, governmental bodies, and commercial consulting firms.

62. A review of OPS operations made by outside consultants further stressed that "flexibility should be the management philosophy of OPS", with a constant monitoring of its project portfolio and appropriate changes in its structure, staffing, and processes to meet new demands. The Administrator of UNDP endorsed the need for a steady search for new approaches to international co-operation for development, and the value of OPS as a flexible instrument for use in UNDP-supported programmes.

63. In 1990 the Administrator reported further on experience with management services 18/. He concluded that they continued to be a useful additional mechanism for helping governments to mobilize and use project inputs effectively, and to encourage better co-ordination among governments and aid agencies at the field level. He was confident that management services do not adversely affect UNDP's multilateral character nor the level of contributions to UNDP core resources, and that management service agreement support costs were fully recovered. He recommended that UNDP continue to provide such services with regular reporting and analysis of trends that appear over time. The Governing Council, in its decision 90/46, recognized the concrete advantages which management services had added to the development process and to recipient countries.

L. Management of field co-ordination

64. A significant initiative to improve co-ordination of the United Nations system's operational activities at the country level was launched in 1991. It consists of a series of pilot workshops in the management of field co-ordination, designed for senior representatives of United Nations system organizations, such as resident co-ordinators and country or area representatives of agencies' field offices. It is part of a broader set of measures by CCSQ(OPS), endorsed by the Administrative Committee on Co-ordination (ACC), to strengthen the concept and role of the United Nations system development team at the country level. This programme of workshops is being implemented by the International Training Centre of the ILO in Turin, Italy 19/.

65. The programme is a genuine inter-agency effort - perhaps the single most important one during the last 20 years - to systematically bring together, in country teams, senior officials from various agencies (including the World Bank) who have direct responsibility for managing system activities at the country level. This training is not a substitute for, or duplication of, individual agencies' own training, but a complement which emphasizes a system-wide approach. Since the United Nations system is decentralized by its very nature, training may indeed be one of the few tools for strengthening coherence at the country level and fostering team-work among the officials responsible for managing these activities.

66. This was the feedback received from the first groups of participants who went through the Turin Centre exercise (seven workshops were scheduled from March 1991 through the beginning of 1992). Brought together in country teams, the participants discuss major development issues and challenges in the 1990s as they relate to the operational mandates, capacities and processes of multilateral development co-operation through the United Nations system. At the same time, they explore new ways and skills for co-ordination and collaboration at the country level. A group of distinguished development experts, including experts from the Bretton Woods institutions and the bilateral donor community, is guiding and facilitating the training process along with the participants, who also share their own extensive expertise and experience.

67. It is still too early, of course, to assess the value and impact of these workshops on improved collaboration and co-ordination in the United Nations system's development activities. A thorough evaluation will be conducted by CCSQ(OPS) in the spring of 1992 to help determine whether this programme should become a more permanent inter-agency training feature. The assessment could lead to a more comprehensive training strategy. It might also lead to a mechanism offering United Nations system training activities at various levels, in order to upgrade and develop the skills and aptitudes that system officials and their national counterparts need for improved development management at the country level.

68. The initial programme is certainly a fresh approach to United Nations system field co-operation. It is being supported by all the agencies of the system, including the World Bank and the IMF, which are

committed to send participants and resource persons to the pilot workshops. The World Bank is also represented on the programme advisory panel which is guiding the Turin Centre throughout the pilot phase of the programme. Finally, the programme has generated considerable interest and support from among the bilateral donor community, in terms of making available both distinguished resource persons and financial support. The Turin Centre's experiment could therefore begin a new chapter of inter-agency co-operation to help strengthen operational relationships between the United Nations and the major multilateral financial institutions.

III. OPERATIONAL REVIEWS

69. To improve their development co-operation work, the organizations need not only new programme initiatives but a dynamic underlying process of review, reflection and dialogue to generate such initiatives on a continuing basis. Several organizations have made quite substantive reviews of their operations in the past few years, with major emphasis on enhancing performance and improving relationships with other development partners. The following examples illustrate some of these approaches.

A. Funding strategy, national execution and support cost reviews in UNDP

70. Recent policy reassessments by UNDP, as discussed in Chapter III of Part I of this report, have led to some major operational reviews and decisions in 1990 and 1991. A first study requested by the Governing Council examined elements of a future UNDP funding strategy 20/. The strategy explored the comparative advantages and strengths of UNDP; quantitative and qualitative resource needs, levels and growth rates; and prospects for raising such resources to build human capacity in the 1990s. The report also analyzed:

(a) the demand for UNDP assistance in meeting technical co-operation needs as part of overall development flows, for both "core" and "non-core" (cost-sharing, trust fund, etc.) resources;

(b) prospects for raising additional funds and the need to establish a well-defined UNDP development role, increase collaboration with multilateral financing institutions, and expand UNDP management services work;

(c) issues raised for UNDP by different types of resources programme management, including co-ordination, resource levels, administrative costs, burden-sharing, and predictability.

71. The report concluded with recommendations to activate the funding strategy. The Governing Council, in its decision 90/14, cited the need to develop non-core funding further while balancing it appropriately with core funding. It instructed the secretariat to concentrate on established areas of UNDP strength to help with national capacity building, to sharpen the UNDP image and role, and to take specific steps to build co-ordination, strengthen programme management, streamline operations, and strengthen monitoring and evaluation.

72. A second landmark UNDP report in 1990 reflected governments' belief that "national execution" was not just one of many options, but should become the "ultimate modality" for all UNDP-supported activities. The report analyzed the major policy issues and implications of this change 21/. Governing Council decision 90/21 then recognized that recipient governments, under national execution, are responsible with the Administrator for determining the mode and manner of project execution and implementation. The Council cited the opportunity "to pursue and accelerate vigorously" this process beginning in 1992.

73. A follow-up UNDP report in 1991 presented a policy framework for national execution. It also outlined proposals for action relating to full accountability of the UNDP Administrator, involvement of the specialized agencies, the shift from a project to a programme approach, and increased decentralization to support development of national programme management and administrative capacities 22/. The Governing Council, in its decision 91/27, encouraged a series of measures to promote national execution, assist relevant national organizations to build their capacities, and develop guidelines to assist in these processes.

74. In another decision (91/31) the Governing Council recognized the need for optimal utilization of UNDP funds. It therefore requested the Administrator, in co-ordination with governments and multilateral development institutions, to provide an analytical report in 1993 identifying those specific activities and services in which the Programme has proven most effective in achieving development goals.

75. Third, the General Assembly had also requested the UNDP Governing Council to review the arrangements for reimbursing support costs to United Nations system agencies for their execution of UNDP-supported projects. The Council decided to consider this question in the broader context of the evolving relationship of UNDP, governments, and the agencies, and thus to relate it to the national execution issues discussed above. They chose a small expert group to make a thorough study of the issues involved, particularly through consultations with recipient and donor governments.

76. The experts provided an extensive review of changing patterns of development, technical co-operation needs, alternative arrangements for project execution, partners' roles and accountability, and future support cost arrangements. They concentrated on strengthening the United Nations system, by opening up existing processes to enhance efficiency and speed of operations, use abundant sources of external knowledge and expertise, and adapt new management practices and institutional models. They concluded that the development partners - governments, UNDP, agencies, and others - should concentrate on providing much more responsive and creative support services to governments in need of technical co-operation 23/.

77. Following considerable discussion by all the parties involved, Governing Council decision 90/26 requested the Administrator and the agencies to begin to gradually apply various aspects of the new arrangements. After extensive further consultations, the Administrator presented two progress reports in 1991 24/. The Council decided (91/32) that the new regime of support costs would begin for five large executing agencies on 1 January 1992, with participation by other agencies and further procedures to be added gradually, and the entire process to be subject to monitoring, evaluation and review of the new arrangements 25/.

B. Review of goals and operations in FAO

78. In 1987 the FAO Conference directed its Programme and Finance Committees to make a joint review of certain aspects of FAO goals and operations and report thereon to the 1989 Conference session. Although there was some controversy over the timing and mechanisms for such a

large-scale study, which ultimately involved well over $US 2 million in extra costs, the Conference report stressed "unanimity ... on the need to strengthen FAO in every possible manner, so that it could continue to play a leading role in world agriculture during the years ahead".

79. During 1988 and 1989 the Committees held four Special Joint Sessions in Rome to plan and review several expert studies and formulate their own report.

(a) A first independent expert group report sought to strengthen FAO's capacity to face future challenges efficiently and effectively. In the light of the possible future evolution of the world food and agriculture situation, the experts reviewed and offered conclusions and recommendations on:

(i) FAO's objectives and three major roles (a centre for collection and analysis of global information on food, agriculture and nutrition; an international forum and source of policy advice; and a promoter and provider of technical assistance);

(ii) its global and regional strategies and their relevance;

(iii) priority setting and budgeting processes;

(iv) institutional capacity and adjustment; and

(v) relations with international funding, lending and other agencies.

(b) A second expert group reviewed FAO's present field operations, considered field priorities and modalities of operation for the 1990s, analyzed key operational factors and actions needed, and presented a series of conclusions and recommendations for improving FAO operational performance.

(c) At the request of the Director-General, outside management consultant firms were also chosen through competitive bidding to prepare in-depth reviews of FAO printing systems, treasury operations, accounting policies and procedures, computer facilities, maintenance and security services, and personnel services.

80. These reports were annexed to the report of the two Committees, which together with the Director-General's report and a summary of the experts' recommendations and their cost implications, was submitted to the FAO Conference session of November 1989 26/. The Conference recognized the Review as a "milestone" exercise whose conclusions and recommendations were valid, practical and useful to FAO. It endorsed the generally favourable conclusions and certificate of good health given to the Organization by the Committees and the experts, recognized that the review was only part of ongoing efforts to enhance efficiency and effectiveness, approved most of the recommendations which had been made, and passed a resolution (10/89) calling for specific follow-up actions to be taken 27/.

C. Review of technical co-operation activities and financing in UNCTAD

81. UNCTAD has a relatively small technical co-operation programme, and it intends that this programme remains subordinate to - but closely supportive of - its basic analytical and negotiating functions. In 1987, however, the secretariat made a review of this programme to determine how to exploit UNCTAD's "comparative advantage", to reverse a decline in funding, and to improve all aspects of the programme's operations.

82. After extensive discussions internally and with other organizations, a secretariat report 28/ concluded that UNCTAD could respond to a very large unmet need for technical co-operation in its trade and development area if it could:

(a) Develop a more clear, coherent, and selective technical co-operation programme, making the best possible use of UNCTAD's specialized competence and in-house expertise in carefully targeted areas.

(b) Strengthen and systematize relations with other organizations in the inherently cross-sectoral trade field, including not only other United Nations system agencies but the World Bank, GATT and bilateral aid agencies as well.

(c) Establish a coherent resource mobilization strategy which would:

(i) build closer policy and operational contact with UNDP;

(ii) keep multilateral development banks and borrower governments aware of UNCTAD's highly specialized expertise in certain areas, and of the relationship between certain UNCTAD activities and capital investment possibilities;

(iii) mobilize additional resources from bilateral donors in areas where they have urged UNCTAD activity (as support funds for UNCTAD, cost-sharing with UNDP, or funding of specific projects), and mobilize resources from private sector sources as well in appropriate areas;

(d) Improve methods of work in the secretariat, by streamlining administrative processes and recruitment, tying technical co-operation work closely to substantive UNCTAD programmes rather than separating them, and establishing an Office under the Secretary-General to develop, mobilize and co-ordinate the programme.

83. These measures were endorsed by UNCTAD governing bodies. The various procedural and organizational measures have been implemented. Technical co-operation funding has risen from about $US 11 million in 1986 to $US 22 million in 1990, where it is expected to level off. Some of the specific UNCTAD programme initiatives are discussed elsewhere in this report (see Chapter II. C and E).

D. External relations evaluation in UNICEF

84. In April 1989 the Executive Board of UNICEF requested an in-depth evaluation of UNICEF's external relations activities and the Executive Director's views on future roles, functions and priorities. The Board requested that the study actively involve Board members, UNICEF National Committees, and outside expertise. It emphasized the importance of external relations to improve UNICEF programme delivery and strengthen advocacy, fund raising and mobilization for action on children's issues.

85. The resulting report of March 1990 29/ found that during the 1980s external relations activities had become a catalytic, integral and very effective part of UNICEF country programmes and activities everywhere. However, these activities required:

(a) more careful planning to blend them harmoniously into ongoing country programmes and to adapt them to local realities;

(b) firm programme support to sustain them at the country level;

(c) enhanced consultation between governments, National Committees, UNICEF Headquarters and Field Offices;

(d) stronger management, evaluation and feedback processes within the External Relations Group at Headquarters.

86. The Executive Director's report outlined future objectives and priorities for UNICEF external relations work, the principles and values which guide this work, and considerations of marketing, constituency building, and education for development. He analyzed in detail external relations structures and operations and proposed a whole series of actions to manage them in a more strategic way, including reference to two companion reports on operational relations with other United Nations system agencies 30/. He promised to keep the Executive Board informed of year-to-year progress, and the Board endorsed the report's recommendations, major findings, and proposed actions.

E. Management review in UNIDO

87. In October 1988 the Industrial Development Board of UNIDO requested the Director-General to commission and report on a management review, within the context of the developmental impact, efficiency and effectiveness of the Organization. The 1989 report, prepared by an internal review team, sought to address known problems and set priorities for their solution, while also recognizing UNIDO strengths - most noticeably the maintenance of programme levels despite a severe financial crisis, and pioneering efforts to co-operate effectively with the private sector in industrial development activities 31/.

88. The report's recommendations were not intended to be decisive but to begin a long-term, ongoing, reform process. Among key features, however, the report called for the establishment of a central strategy, policy and planning office in the Office of the Director-General. It urged a strengthening of the country focus to make UNIDO programmes more

responsive at the country level, and the establishment of a resource mobilization division so that funding for technical co-operation and (later) industrial investment could be managed in a co-ordinated manner. The report also called for an integrated computer system to meet critical organization-wide needs, and reassessment of co-ordination units and focal points throughout UNIDO.

89. The report also cited certain management principles and aspects to facilitate the sensitive process of organizational change and ensure its lasting effect. These included:

(a) individual performance and accountability (more emphasis on project quality than on dollar value of projects "delivered");

(b) organizational performance and accountability (drawing fully on in-depth and self-evaluation results in developing future programmes and budgets);

(c) optimizing resources (developing sound joint work programmes with development banks and other financing institutions, and enhancing promising income centres within UNIDO such as sales publications and specialized computer models);

(d) effective responses in a changing environment (carefully analyzing and steadily adapting UNIDO specialized staff skills, activities, and limited resources to the changing, more sophisticated and urgent needs of developing countries).

90. The UNIDO secretariat has actively continued this organizational reform process in a dialogue with Member States. In a report in late 1990 the Director-General submitted further proposals in the light of UNIDO's external environment, long-term goals, and changing role, particularly its co-operative and funding relationships. He stressed the objectives of a simple and clear UNIDO structure; a sharper country focus; concentrated technical expertise in operationally autonomous units; enhanced quality of outputs; and integrated packages of services produced through greater teamwork. He concluded that the new structure would add disciplinary depth to UNIDO industrial development work, enhance efficiency, and instill a greater sense of individual accountability 32/.

IV. INVESTMENT AND PROJECT PREPARATION ACTIVITIES

91. Most of the agencies of the United Nations system have been engaged in investment and project preparation activities for many years, but often in a rather generalized and modest way. Now it seems that this may be changing. The volume of these activities is gradually increasing. The agencies are taking a closer look at the considerable potentials for more effective technical co-operation that they offer. And the increasing involvement of the international financial institutions in the field provides both new competitive challenges and collaboration opportunities. This Chapter summarizes recent initiatives and assessments by four organizations, as well as the evolving role of the World Bank.

A. FAO

92. During the past 25 years the FAO Investment Centre has helped formulate 750 agricultural investment projects which have generated about $US 34 billion of investment in 108 countries. The principal function of the Centre is to help developing countries formulate investment projects which will attract capital resources. About 100 professional staff and 40-50 consultant staff years are applied annually to more than 100 projects. There is no cost to recipient countries for these services, which are shared by FAO and 15 multilateral financing institutions. In 1988, the total Centre budget of some $US 20 million came from the FAO regular budget ($US 9.6 million), the World Bank ($US 8.2 million), and the other institutions ($US 2.6 million).

93. About 60 per cent of the Investment Centre staff work in the FAO/World Bank Co-operative Programme, which began with "a team of specialized personnel of high calibre" in FAO in the 1960s. Costs are borne approximately 75 per cent by the World Bank and 25 per cent by FAO. Following its major re-organization of 1987, the Bank reviewed and reaffirmed its long-term commitment to this programme in 1989: the Co-operative Programme is expected to continue to prepare about 30 per cent of the Bank's and IDA's expanding number of agricultural projects in the future. The other Centre programme - Investment Support Programme (ISP) - works with all the other multilateral agricultural financing institutions, primarily IFAD and the African Development Bank, generally for smaller scale investment projects in the poorest countries.

94. An FAO review in 1989 33/ concluded that the Investment Centre has had to adapt to many significant changes over the years, particularly growing country level capabilites and changing lending approaches (rural development in the 1970s, structural adjustment in the 1980s, and increasing joint venture and private sector emphases at present). Centre evaluations of about 70 1970s' projects have also disclosed that the most serious past project problems have been institutional weaknesses, excessively tight scheduling, over-optimistic advance surveys and forecasts, and under-estimated costs. To cope with such problems, the Centre is working with IFAD on ways to improve project preparation methods, and to build greater flexibility into its project designs, strengthen its analytical techniques and assessments of available capabilities, and raise the level of government and beneficiary participation in, and hence commitment to, projects.

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B. UNDP

95. UNDP's predecessor, the Special Fund, was established in 1959 mainly to prepare projects which would elicit capital investment. Pre-investment projects and investment commitments rose sharply in the 1960s, but then declined significantly in the 1970s. In 1980 Sir Robert Jackson prepared a report which analyzed the problem and made many recommendations to improve and expand follow-up investment 34/. UNDP, working with governments, specialized agencies, and development finance institutions, has subsequently sought to increase the oversight of larger scale pre-investment and investment related activities; establish an Investment Development Unit and other units to co-ordinate and promote this work; develop comprehensive training courses with multilateral banks which have enhanced pre-investment skills for 300 officials; and establish "umbrella" projects which group pre-investment projects in a more responsive and flexible way.

96. Even though external and domestic resources for investment in most developing countries fell during the 1980s, total investment commitments related to UNDP pre-investment and other projects grew steadily and totalled about $US 70 billion from 1980-1987. Leading sources for these commitments have been the developing countries themselves ($US 29 billion, although only $US 3 billion from the domestic private sector), the World Bank Group ($US 12 billion), other multilateral sources ($US 9 billion), donor governments ($US 8.2 billion) and other private sources (only $US 1.6 billion, but doubled from 1980 to 1986) 35/. UNDP officials believe, however, that if concerted efforts could be made, there is still great potential to identify good investment opportunities from among the 20,000 multilateral technical co-operation projects completed or underway worldwide, and to better highlight investment aspects in new project designs.

97. Like FAO, UNDP has also been concerned with broader project development activities. In 1985 it established a small experimental project development facility and in 1988 expanded it. A 1990 UNDP review concluded that the expanded facility, which had conducted 211 missions (primarily for project formulation, especially for complex and technically difficult projects) had had a significant multiplier effect: $US 230 million of indicative planning figure budgets was expected from $US 4.5 million of mission expenditures. The facility has provided enhanced flexibility and incentives for new approaches, because the missions can be fielded rapidly, rely on independent consultants, encourage additional third-party financing, and support the consideration (and sometimes cost-saving rejection) of risky and innovative projects 36/.

98. The United Nations Capital Development Fund (UNCDF) is a project development and financing institution which provides concessional capital assistance for small-scale investment projects (average size, $US 1.5 million), primarily in least-developed countries, which may come as a follow-up to UNDP pre-investment activities and in turn pave the way for larger investors. Since UNCDF stresses a grassroots orientation and local capabilities and participation in its projects, they are generally executed by local institutions. But it has also made increasing use of international NGOs and occasionally employs specialized or bilateral expertise and multilateral and bilateral co-financing as well 37/.

C. UNIDO

99. UNIDO has been mobilizing industrial investment resources since the late 1960s, but during the past few years it has devoted much effort to assessing and re-directing these activities. The programme is centered in the Industrial Investment Division in Vienna. It seeks financial, technical, managerial, and other resources to enable local sponsors and foreign partners to carry out industrial production projects by identifying, formulating, and promoting such projects. In 1990 it successfully concluded 170 investment projects. The programme includes nine Investment Promotion Services funded by host country governments, and an Investment Promotion Information System (INPRIS) which provides computerized information on investment projects, partners, and financial and counterpart institutions.

100. A 1988 report by the Director-General analyzed the evolution, status and value of the industrial investment programme. He noted that UNIDO needed to co-ordinate more closely with other investment promotion institutions to optimize its own limited resources, and develop new ways to bring potential partners into contact. Future programmes would have to place more emphasis on building local entrepreneurial and managerial skills, add pre-investment work to investment promotion work, and help developing country project sponsors design marketing strategies. UNIDO would also seek to strengthen its network of focal points in developing countries and its responsiveness, in order to design and implement integrated, tailor-made industrial investment programmes 38/.

101. In 1990 UNIDO made a detailed evaluation of its industrial investment activities. It noted that UNIDO was only one of many international organizations in an increasingly competitive industrial investment field. But UNIDO had comparative advantages: many contacts with and knowledge of potential partners worldwide, services at subsidized prices which smaller scale entrepreneurs very much need, a role as an impartial broker, experience in establishing and improving investment promotion institutions in developing countries, and capacity to do pre-investment studies. At the same time, UNIDO work was constrained by modest resources, often uncertain financing patterns, and primary responsibility for more difficult small-scale industrial investment projects, usually below $US 5 million in size.

102. The report sought to serve donors, beneficiaries, and UNIDO policy-makers by analyzing these comparative advantages and disadvantages to better define UNIDO's market niche and the services it can successfully provide. It assessed UNIDO's overall achievements against its established objectives, identified critical factors affecting performance, examined programme relevance, and suggested improvements and new approaches. It noted in particular the need to more clearly define programme clients, better use the worldwide contact network, strengthen communications systems, and re-deploy the needed resources and skills. Above all, UNIDO would need to ensure that its investment programme and services are recognized as a unique capability of high quality and selectivity, which would help build increased co-operation with international and national development finance institutions 39/.

D. ILO

103. In recent years the ILO's long-standing investment-related activities have steadily evolved to keep up with the changing needs of member countries, the emergence of development banks as important partners, shared multi-sectoral concerns, and closer links between capital investment and technical co-operation. The Technical Co-operation Promotion Branch, in the Technical Co-operation Department, co-ordinates ILO promotional, liaison and monitoring functions for all external financing sources including UNDP: multi-bilateral donors, the European Communities, the World Bank and regional and subregional development banks, and NGOs. (See the full discussion of ILO operational liaison work with the World Bank in Part I, Chapter VII.)

104. The main objectives of ILO investment-related activities are to assist developing countries to obtain capital assistance from international financial institutions by identifying and preparing appropriate projects; to advise on the appropriate mix of capital and technical assistance to enable borrower governments to effectively use these resources; and to influence the lending policies of the financial institutions on human resources and other social development issues of particular concern to ILO.

105. These objectives are pursued through dialogue with development banks, process consultation with member countries, pre-investment exercises and systematic investment follow-up in technical co-operation projects, and participation in development banks' project cycles. As of December 1990 ILO was providing technical assistance and equipment procurement services in 106 projects funded by development banks, worth some $US 77 million, with an additional $US 11 million in parallel financing from UNDP. Each year ILO participates in about 50 project identification preparation or appraisal missions of development banks, and it monitors more than one hundred pipeline projects.

106. The responsibilities of the small Pre-investment and Investment Activities Unit, supported by liaison staff in Washington, Abidjan and Manila, focal points in ILO regional offices, and major technical units, include:

(a) monitoring investment programmes of the World Bank and other international financial institutions and identifying specific opportunities for policy, programme, project and service collaboration.

(b) Keeping the financial institutions aware of ILO services and knowledge available, and ILO units at headquarters and in the field aware of the financial institutions' activities.

(c) Developing an ILO-wide policy framework for pre-investment and investment activities and co-operation with development banks and funds.

(d) Providing administrative and technical support, advice, briefings, and training programmes to ILO staff and units on investment-related activities, and on the operations, procedures, and activities of the development banks.

107. ILO officials believe that there is still considerable potential for expanded co-operation between ILO and the development banks in investment promotion and follow-up work, both within the framework of lending programmes and selected projects. They also believe that much could be achieved through inter-agency co-operation and systematic consultations between investment units of different United Nations system agencies on approaches and modalities of involvement in projects funded by development banks. However, this will require much more preparatory work with member countries and development banks to increase their awareness and positive image of the multidisciplinary approach and expertise of the agencies. It will also require that the agencies provide rapid, cohesive, and responsive teamwork and technical services 40/.

E. World Bank

108. The preparation stage of the project cycle is one in which the World Bank is often called on to provide technical assistance to its borrowers. Accordingly, in 1975 the Bank established a Project Preparation Facility (PPF) to help improve borrowers' capacity to complete project preparation, and to support the units responsible for preparing or carrying out projects 41/.

109. The Facility has become a significant element in the preparation of development projects worldwide. In 1987 the Bank reviewed its performance, and sought an increase in its net commitment authority to $US 155 million, which the Executive Board approved. From 1975 through 1988 (calendar years), the Facility had approved 674 advances of funds to borrowers, of which 80 per cent (541 advances) related to International Development Association (IDA) credits.

110. The use of the Facility has increased sharply since 1985 (partly due to an increase in approved IDA credits), rising from 48 advances in that year to 92 in 1988, then falling back to 60 in 1989. Its activities are concentrated in the African region (79.5 per cent of all advances for 1984-1988) and Latin America and the Carribean (10.4 per cent). The major sectors for this period were agriculture (29 per cent) and technical assistance and transportation (10 per cent).

111. In 1981 a Carribean Project Development Facility was also established, with $US 4.5 million provided by UNDP and other multilateral and bilateral sources. The World Bank was the executing agency of the Facility, but actual administration is the responsibility of the International Finance Corporation (IFC). In addition, a Special Project Preparation Facility was established in 1985, to help IDA-eligible member countries in sub-Saharan Africa finance preparation activities - including preparation of project proposals for financing by other donors - that could not be financed from other resources. Advances under this Facility are made on a grant basis, with reimbursement required only when a Bank financed project results within five years after approval. They reached a peak of $US 5 million in 1986, and amounted to $US 3.9 million in 1989.

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